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IN THE
SUPREME COURT OF THE UNITED STATES

October Term, 1997

WAYNE K. PFAFF,

Petitioner,

vs.

WELLS ELECTRONICS, INC.,

Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

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BRIEF OF GLOBAL GAMING TECHNOLOGY, INC., *AMICUS CURIAE*, IN SUPPORT OF WAYNE K. PFAFF'S WRIT OF CERTIORARI GRANTED BY THE COURT ON MARCH 9, 1998

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Global Gaming Technology, Inc. ("Global") respectfully submits this Brief as *amicus curiae* in support of Wayne K. Pfaff's Writ of Certiorari which was granted by this Honorable Court on March 9, 1998.

I. SUMMARY OF ARGUMENT.

Global submits this *amicus curiae* brief in support of Petitioner, Wayne K. Pfaff ("Pfaff"), for three reasons.[1] First, to underscore the importance that inventors be given the opportunity to test their inventions prior to triggering the on-sale clock. The importance of allowing inventors an opportunity to test their inventions was clearly recognized by this Court over 120 years ago and should be preserved as a component of any on-sale criterion that it establishes in this case. Elizabeth v. Pavement Company, 97 U.S. 126, 24 L.Ed. 1000, 7 Otto 126 (1877).

Second, Global submits this *amicus curiae* brief to explain why the Federal Circuit's new 'substantially complete' test is inconsistent with this Court's established precedent and is also difficult for inventors to interpret. In particular, the Federal Circuit's re-interpretation of Section 102(b) has eroded the right of inventors to test their inventions, and as such is inconsistent with Elizabeth, supra. The inconsistency arises because it is impossible for inventors to know whether an invention is complete until it is tested. Yet, the substantially complete test triggers the on-sale clock before an invention is fully completed and, as a result, before a device can be adequately tested. As a result, the substantially complete test is a stunning example of judicial hindsight in that it presupposes the inventor knew before completion or testing that the invention was capable of completion and successful testing. This Court long ago

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[1]Pursuant to S. Ct. Rule 37.6, Global states this *amicus curiae* brief was authored by its counsel and that no person or party other than Global made a monetary contribution to its preparation or submission.

recognized the flaw in this logic, in the public use context, when it held only "experiments will reveal the fact whether any and what alterations [to an invention] may be necessary." Id. at 134.

Third, Global submits this brief to explain how the flawed logic of UMC v. United States, 816 F.2d 647 (Fed. Cir. 1987) has resulted in even more drastic changes to the law than even those changes contemplated by the UMC panel. Namely, it was well established prior to UMC that in order for an offer of sale to trigger the on sale clock, the following elements had to exist *at the time of the offer of sale*:

> (1) the complete invention claimed must be embodied in or obvious in view of the thing offered for sale; (2) the thing offered for sale must be reduced to practice; and (3) there must be a definite sale or offer for sale, primarily for profit rather than for experimental purposes.

Id. at 659 (dissenting opinion). See also Timely Products v. Stanley Arron, 523 F.2d 288 (2nd Cir. 1975). Accordingly, for over 150 years an offer to sell made at a time when the invention was not fully completed was simply not an on sale event.[2] Even the majority in UMC recognized that an offer

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[2]See dissenting opinion of Judge Smith in UMC where he observes:

> Our past decisions

to sell a concept could not trigger the Section 102(b) clock. Id. at 657. Yet, the ambiguities created by the logic of UMC have led certain justices serving with the Federal Circuit to conclude that substantial completion of an invention after an offer for sale constitutes a Section 102(b) bar if the completion occurs prior to the critical date. Robotic Vision Systems, Inc. v. View Engineering, Inc.,112 F.3d 1163 (Fed. Cir. 1997).

Global also provides the Court a brief introductory explanation of the facts of its case so that matters presented by Global can be placed in context and to emphasis the real world difficulties created by the UMC decision.

> consistently have held, as a threshold requirement for the section 102(b) on-sale bar, that a device must be in existence and shown to work for its intended purpose (the classical definition of reduction to practice) before the on-sale bar can apply. The panel majority does not seriously dispute that this has been the law of the circuit, the law of our predecessor courts, and the law of the land, for 150 years.

Id. at 659.

II. ARGUMENT.

A. Background of *Global's* Claim.

The faulty analysis which led to a trial court's determination that Global's patent is invalid pursuant to Section 102(b) provides an interesting case study of the uncertainty created by the Federal Circuit as a result of its deviation from the well established fully completed test. We, therefore, provide the Court a brief description of Global's plight to underscore the need for a clear interpretation of Section 102(b) *that inventors can both understand and accurately apply*.

Global was awarded U.S. Patent No. 4,099,722 in 1978, which patent discloses the basic operations and controls for the modern electronic slot machine. Among the problems which the prior art had failed to resolve were durability and prevention of theft. In this regard, the '722 patent states at column 1, lines 18-23, that:

> Due to the large number of repeated operations required by mechanical components such machines require frequent maintenance and repair. The anti-cheat and anti-theft mechanisms of the prior art have also been found to be ineffective.

The '722 patent was filed on July 30, 1975, establishing July 30, 1974 as the critical date for purposes of Section 102(b).

The development of the invention disclosed in the '722 patent began at least as early as the fall of 1973, at about which time Global offered to sell 200 of the new electronic slot machines to one of its customers for *delivery in 1975* subject to the following contractual condition:

> Seller represents that the Machines shall have a physical appearance substantially similar to and shall perform substantially the same functions of the Mechanical slot machines currently in operation at [the purchasers] Hotel.

Global then continued working feverishly to complete a commercially viable electronic slot machine, which process resulted in a prototype being submitted to the Nevada Gaming Control Board for approval in the fall of 1974 (after the critical date). The subsequent field testing by the Nevada Gaming Control Board occurred in and around December of 1974 and January of 1975. The field test conducted at that time was the first occasion on which Global's new electronic slot machine was tested in a casino or, for that matter, with members of the general public. These tests confirmed the durability and security of Global's invention. Global's new slot machine passed field testing and was approved for sale by the Nevada gaming authorities toward the end of January of 1975, and the first machines where actually delivered to a customer during the Summer of 1975.

Despite these facts, the trial court found that Global's patent was invalid because "[o]n June 1, 1974, Global had a fully operational *prototype* which had each element of

independent claims one and twelve at issue in this case." IGT v. Global Gaming Technology, Inc., CV-S-94-601-HDM (D. Nev. 1997). The trial court failed to consider in its opinion that the so-called fully operational prototype was never tested prior to the critical date so that Global could have the opportunity to determine whether the device was, in fact, more durable and less prone to cheating than existing mechanical operating systems. As such, the logic of the trial court is directly contrary to this Court's opinion in Elizabeth, supra.

Global respectfully submits that if the Federal Circuit were still applying the fully completed standard as virtually all, if not all, Courts followed when Global was developing its invention, Global would not be burdened with the faulty analysis that led to the invalidation of its patent. In that sense, a substantial injustice has been occasioned on Global by the Federal Circuit. Under the law in existence at the time Global was developing the invention disclosed in the '722 patent, the device was clearly not 'on sale.' Now, however, the rules have changed and, even though Global believes its patent should not have been found invalid under the current state of the law, no error would have been possible by the trial court if it were applying the fully completed test.

B. Inventors Should Be Given an Opportunity to Test Their Inventions Prior to the Start of the On-Sale Clock.

Testing has long served as one of the cornerstones to determining whether the on-sale clock has been triggered. See e.g. Timely, supra. And, in 1877, even this Court recognized the importance that inventors be given an opportunity to test in the related 'public use' context. In

Elizabeth, supra, the Court considered whether a patent issued for a new wooden pavement system was invalid because it had been in public use for six years prior to the date on which the patent application was filed. Rejecting the argument, this Court reasoned:

> . . . But can it be said that the invention was in public use? The use of an invention by the inventor himself, or of any other person under his direction, by way of experiment, and in order to bring the invention to perfection, has never been regarded as such a use. Curtis, Patents, sect. 381; *Shaw v. Cooper 7 Pet. 292.*
>
> . . .
>
> When the subject of invention is a machine, it may be tested and tried in a building, either with or without closed doors. [*135] In either case, such use is not a public use, within the meaning of the statute, so long as the inventor is engaged, in good faith, in testing its operation. He may see cause to alter it and improve it, or [**18] not. His experiments will reveal the fact whether any and what alterations may be necessary. If durability is one of the qualities to be attained, a long period, perhaps years, may be necessary to enable the inventor to discover whether his purpose is accomplished. And though, during all that period, he may not find that any changes are necessary, yet he may be justly said to be using his machine only by way of experiment; and no one would say that such a use, pursued with a bona fide intent of testing the qualities of the machine, would be a public use, within the meaning of the statute. So long as he does not voluntarily allow others to make it and use it, and so long as it is not on [***1005] sale for general use, he keeps the invention under his own control, and does not lose his title to a patent.

The logic of the Court, as expressed in 1877, still rings true over 120 years later. Inventors need to test their inventions because, prior to adequate testing, inventors cannot know whether their invention is complete.

The Court of Appeals has also attempted to preserve the right of inventors to test in its post-UMC decisions. So,

for example, the Federal Circuit has held that an invention is not "substantially complete" (and certainly not "fully complete") unless and until the inventor has been given the opportunity to test the invention to determine whether it will work for its intended purpose. In Seal-Flex, Inc. v. Athletic Track and Court Construction, 98 F.3d 1318 (Fed. Cir. 1996) the Federal Circuit explained that even if an invention is actually completed before the critical date and at the time of an offer for sale--the §102(b) bar still is not triggered if the inventor believed that the completed product still needed to be tested, and the testing had not been completed at the time of the offer or other allegedly "triggering" customer contact. The Federal Circuit explained that the reason the "on-sale" bar is not triggered is because the invention must not only be complete (or at least substantially complete), [but] it also "must" be "known to work for its intended purpose." Id. at 1324. As the Federal Circuit explained:

> [W]e conclude that the district court erred in its application of the law of the -on-sale bar of 35 U.S.C. §102(b), for if in fact the Beloit track required evaluation under actual conditions of weather and use in order to determine whether it would be satisfactory for its intended purpose, then it could not be held as a matter of law that contacts with potential future customers started the one-year bar during that evaluation period.

Id. at 1322.

And, in Kolmes v. World Fisher's Corp. 107 F.3d 1534 (Fed. Cir. 1997), the Federal Circuit held that although completed gloves made of the patented cut-resistant yarn were in fact distributed before the critical date, that distribution did not trigger the §102(b) bar because the gloves still needed to be tested for their intended environment--which testing had not been completed prior to the critical date. As the Federal Circuit specifically noted:

> An inherent feature of Kolmes' invention was durability, the ability to withstand use in an environment such as a meat-packing plant with repeated laundering. That feature is evident from the preamble of claim 1. . . . Testing was hence required in such an environment in order to ensure that the invention would work for its intended purpose.

Id. at 1540.

Accordingly, regardless of whether this Court ultimately decides to affirm or reverse the Federal Circuit's interpretation of 35 U.S.C. Sec. 102(b), Global asks that it reaffirm the central role testing must play in determining when the on-sale clock begins to run.

C. The Substantially Complete Test is Inconsistent With This Court's Established Precedent and is Difficult for Inventors to Interpret.

The Federal Circuit's approach of allowing patents to be declared invalid before the inventions claimed are fully reduced to practice is inconsistent with this Court's decision in Elizabeth, supra, in that inventors can only know whether their inventions are complete after they have been completed and tested. On this point the Court observed that "so long as the inventor is engaged, in good faith, in testing [an inventions] operation. He may see cause to alter it and improve it, or not. His experiments will reveal the fact whether any and what alterations may be necessary." Id. at 135. The obvious paradox that the Federal Circuit has created is that inventors cannot know whether or at what point their invention was 'substantially complete' until the device has been completed and tested . . . and works. Any thing short of full completion and testing requires the inventor to essentially guess that the development process can be successfully completed. Congress never intended that inventors be required to guess that their inventions will work.

The "substantially complete" test which has been embraced by the Federal Circuit is also extremely difficult for inventors to interpret because it fails to provide inventors a clear line of demarcation. In this regard, it is extremely common for inventors to embark on a development process, build a prototype, and then market that prototype with really no idea whether their so-called invention has, in fact, been invented before by someone else. Patent lawyers, as well as an army of examiners at the United States Patent and Trademark Office (" USPTO"), make their living conducting

prior art searches to tell inventors, usually years after the development process is complete, whether they have an invention and, if so, exactly how that "invention" will ultimately be defined. Nonetheless, when the Federal Circuit applies the "substantially complete" test it basically assumes inventors know how their inventions will be defined. It does this by attempting to determine whether the elements of the claims which are alleged to be invalid were reduced to practice prior to the critical date. See, for example, UMC. Yet prior to the critical date most inventors have no idea how their inventions will be defined, and as a result certainly do not know at what point in the development process the invention is substantially complete versus fully complete. As a result, the substantially complete test should be renamed the crystal ball test. The unfair and unworkable burden that this crystal ball test imposes on inventors, is largely avoided by the fully completed standard for under that approach inventors are provided with all of the objective input needed to reach the subjective conclusion that a patent application must be filed, i.e. a device that is fully reduced to practice which has been sufficiently tested so that the inventor knows it works for its intended purpose.

Accordingly, the Federal Circuit's deviation from the well-established fully completed standard has deprived inventors of exclusionary rights which Congress intended to extend, and has required inventors to predict with perfect foresight how the USPTO will define their inventions. The fully completed strikes an appropriate balance between the competing policy goals, has worked well for over one hundred and fifty years, and Congress has done nothing to indicate a desire that the standard be changed.

D. The Flawed Logic of UMC has Led to Even More Drastic Opinions From the Federal Circuit

Judicial activism carries a price. As pertains to the issues raised in this case, the Federal Circuit's deviation from the long standing and easy to apply fully completed standard has led to even more drastic opinions from the Federal Circuit. In particular, one panel of the Federal Circuit has recently held that substantial completion of an invention *after* an offer for sale constitutes a section 102(b) bar if the completion occurs *prior* to the critical date. Robotic, supra. In that decision the Court stated that "[c]ompletion of the invention prior to the critical date, pursuant to an offer to sell that invention, would validate what had been theretofore an inchoate, but not yet established bar." Id. at 1168.

The Robotic decision both flies in the face of well established precedent (including UMC) and underscores why the vague standard created by UMC simply cannot stand. In short, inventors need a bright line standard to know when they must make the substantial investment of a patent application. Yet, as evidenced by the Robotic decision, the rules are in a constant state of flux because under UMC courts are free to formulate their own interpretation of the law in each case. This does not represent the rule of law, it represents the rule of advocacy.

Indeed, in the leading case of Timely Products, the Second Circuit, after a thorough analysis of the decisional law and legislative history held that a reduction to practice must exist at the time of the offer, not just before the critical date. Id. at 302 (holding that "*at the time* Arron took the order from Alexander Sales, the sock offered had been made and

successfully tested, and that his purpose was purely commercial exploitation"). Even in UMC, the Federal Circuit held that "[i]f the inventor had merely a conception or was working towards development of that conception, it can be said there is not yet any "invention" which could be placed on sale." Id. at 657. And more recently, in Micro Chemical, Inc. v. Great Plains Chemical Co., 103 F.3d 1538 (Fed. Cir. 1997), the Federal Circuit held that while "reduction to practice of the claimed invention is not a prerequisite for triggering the on-sale bar . . . [it] requires that 'the claimed invention asserted to be on sale was operable, the complete invention claimed was embodied in or obvious in view of the device offered for sale, and the sale or offer was primarily for profit rather than for experimental purposes.'" Id. at 1544, quoting Keystone Retaining Wall Sys. v. Westrock, Inc., 997 F.2d 1444, 1451 (Fed. Cir. 1993). Accordingly, the Micro Chemical court held the product was not on-sale because "[t]he evidence compels a conclusion that Pratt's invention was clearly not completed *when he made the December offer*." Id. at 1544, (emphasis added).

Despite this authority, the Federal Circuit in Robotic felt free to disregard the fact that the invention at issue in that case was not reduced to practice or even substantially completed at the time of the offer for sale. Global respectfully submits the reason why this inconsistent decision was rendered is because the logic of UMC opens the door to a loose case by case analysis and, in so doing, fails to provide inventors a bright line standard against which they can gauge their conduct. This fundamental flaw in the UMC approach subverts the entire purpose of the patent laws of this country, and should be rejected by this Court.

III. CONCLUSION.

For the foregoing reasons, Global Gaming Technology, Inc. respectfully requests this Honorable Court establish the fully completed test as the law of the land.

DATED this 12th day of May, 1998.

RESPECTFULLY SUBMITTED,

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